UNITED ARROWS LTD.
Earnings Announcement Q&A
for the First Quarter of Fiscal 2018, the Fiscal Year Ending March 31, 2018

UNITED ARROWS LTD. (or "the Company") held earnings announcement presentations on August 4 and 7, 2017, at which the media, analysts, and institutional investors were in attendance. The principal questions received and answers given by category during each session are presented as follows, with certain details expanded or modified in an attempt to provide readers with a deeper understanding of the UNITED ARROWS Group's performance and activities.

Business Results in Fiscal 2018 (April 1, 2017 to March 31, 2018)

Q. How did sales, gross profit, selling, general and administrative (SGA) expenses, and each level of profit in the 1Q of FY18 compare with the Company's forecasts?
A. Sales and gross profit in the 1Q of FY18 both surpassed our forecasts. SGA expenses came in below budget. Accounting for these factors, each level of profit exceeded forecasts.

Q. Do you plan to shift any SGA expenses to the 2Q or later?
A. While there is the chance of a shift in the unused portion of promotion expenses, the amount is not expected to be large. Lower personnel expenses were the principal factor behind SGA expenses coming in below budget. This is due to the fact that our hiring of mid-career professionals has not progressed as anticipated.

Q. What is the status of inventory compared with projections?
A. Our efforts to reduce inventory are proceeding according to plan. While inventories of this year's spring and summer items as well as last year's fall and winter items at UNITED ARROWS LTD. exceeded the levels recorded in the corresponding period of the previous fiscal year, inventories of all other items declined year on year. The efficiency of inventories at COEN CO., LTD. have improved. Although the 1Q sales have increased 20% compared with the previous fiscal year, inventory decreased 20%.

Q. Did you take into account the cost of disposing of last year's fall and winter items at COEN CO., LTD. and the impact of movements in foreign currency exchange rates on CHROME HEARTS' business when putting into place 1Q plans?

A. The gross margins for both companies are trending above planned levels. The gross margin in the 1Q at COEN CO., LTD. has come in significantly higher than our forecast. Despite the downward pressure placed on gross margins as a result of the clearance sale of last year's fall and winter items, robust trends in spring and summer items are helping to improve gross margins.

Q. Did you anticipate the positive impact of the strong yen on 1Q results at UNITED ARROWS LTD.?

A. The cost of goods purchased ratio in the 1Q was positively impacted by a variety of factors including the strong yen. In contrast, markdown losses have increased slightly owing to timely measures aimed at reducing slow-selling items, including the implementation of 8-season merchandising. Taking into account these factors, the gross margin came in at roughly the same level as the previous year. Turning to the 2Q, steps were taken to substantially discount items to ensure the final disposal of spring and summer items in the previous year. We are projecting an improvement in the 2Q of FY18 on the back of efforts to control discount rates.

Q. Can you provide details of sales in July?

A. In July 2016, steps were taken to increase discount rates in a bid to quickly complete clearance sales and generate revenue. This year, energies were directed toward controlling discount rates, with plans designed to accommodate a longer clearance sales period. Taking into account the aforementioned, a year-on-year decrease in existing store sales was also factored into initial plans. As it turned out, results were essentially as projected.

Q. Tell us about the status of online store sales by site.

A. Looking at the growth rates and sales ratios of major sites, UNITED ARROWS LTD. ONLINE STORE (UA ONLINE STORE) sales increased 24%

while accounting for 21%; ZOZOTOWN climbed 27% while making up 59%; Rakuten BRAND AVENUE grew 26% comprising 5%; MAGASEEK declined 3% while making up 3%; and i LUMINE remained essentially unchanged while accounting for 3%.

Q. What are your thoughts on online sales trends and issues?

A. Growth during those months when coupons were issued was substantial at ZOZOTOWN. Sales were also steady during other months thanks to such factors as the increased introduction of inventories. While UA ONLINE STORE does not conduct a coupon initiative, consolidation with House Card members as well as integration renewal with brand sites continues to stimulate high sales growth. Looking ahead, every effort will be made to clarify products that are in high demand at online stores while introducing a balanced, yet diverse range of inventory. As far as UA ONLINE STORE is concerned, there is a need to exceed the expectations of customers whose purchasing patterns exhibit considerable overlap between online and physical stores. Moving forward, addressing the needs of such customers is projected to help stimulate further growth.

Q. The rate of united arrows green label relaxing (GLR) growth is slowing. What is your outlook for the GLR business?

A. Looking at the GLR business, on the one hand business needs are firm. On the other hand, casual items are struggling. While steps were taken to upgrade and expand big silhouette products that were also in line with spring and summer trends, a gap emerged with customers' needs, where considerable focus was on business-casual items. Moreover, we are not seeing the considerable jump in this year's sales that occurred last year as a result of contributions from collaboration products such as sneakers. Based on the aforementioned, GLR sales are currently weak. In the future, we will endeavor to better incorporate customer needs in our operating activities. We will therefore place greater emphasis on customers' business as well as combined business and casual needs.

The UNITED ARROWS Group's Medium-Term Vision

Q. Most companies operate using a positioning map. What led you to taking a new look at the Group's brands and their positioning?

A. Up to now, product development policies have been put in place by each business headquarters. With each business focusing on its own individual domain, the Group as a whole has often lost sight of the considerable overlap between brands as well as price range duplication. For this reason, the decision was made to review the position of each brand from the customer's perspective in the previous fiscal year. By clarifying customers' preferred specifications encompassing such key attributes as individual taste as well as price range sensitivity, decisions are being made regarding the path that each brand should and should not take. At the same time, energies are being directed toward properly evaluating product lineups and reviewing basic product policies. With an eye to improving inventory efficiency, weight is being placed on promoting internal education and training.

Q. From what season do you believe this review of the positioning map will have an effect?

A. The review was undertaken during the previous fiscal year and has been applied to products for the current fiscal year. Signs are beginning to emerge that the review is having an effect, indicating that the gap is closing between customers' needs and women's items in the UNITED ARROWS business.

Q. In your review of underperforming operations, are you considering any other businesses or measures outside those announced the other day?

A. As far as underperforming businesses and countermeasures are concerned, we will not only conduct a thoroughgoing review of each business, but also carefully examine individual items within each business as well as such factors as indirect costs. We are also currently conducting reviews of businesses other than those of Another Edition and Boisson Chocolat that were announced the other day.

About Subsidiary Companies

Q. What factors contributed to the improvement at COEN CO., LTD.?

A. Mitsunori Fujisawa, a director of UNITED ARROWS LTD., assumed the concurrent role of representative director and president of COEN CO., LTD. since the previous fiscal year. Led by Mr. Fujisawa, the Fashion Marketing

Department has initiated a review of COEN's basic product policies. In specific terms, steps are being taken to shift the company's focus from an American casual lineup to one that is more in tune with current trends. At the same time, we are also conducting a review of store operations and are in the process of reorganizing our business structure to meet the needs of the new basic trend-conscious market.